



Community Lending Plan

2006

EXECUTIVE SUMMARY

This Community Lending Plan summarizes the Bank's recognition of the District's community lending needs and presents our goals for 2006. For this Plan, "Community Lending" is defined as "providing financing for economic development projects for targeted beneficiaries." The Community Investment Cash Advance (CICA) regulation published by the Federal Housing Finance Board ("Finance Board") requires that annually each Federal Home Loan Bank ("Bank") develop a Community Lending Plan ("Plan").

This Plan consists of three parts. Part I describes the Process and Plan for market research. Part II outlines the Community Lending related initiatives and lending goals for 2006. Part III reviews the highlights of the Bank's Community Lending related activities for 2005.

In 2005, the Bank performed market research regarding the economic development needs of the District, and has complemented this research by continuing to sponsor meetings/conferences throughout the district to gain insight from our members and community organizations regarding the needs in the District. This Plan summarizes the steps taken to research those needs and presents the Bank's initiatives and goals to address those needs.

In summary, the Bank initiatives in 2006 will be to:

- A. Encourage broader use of Community Investment Cash Advance (CICA) products.
- B. Provide technical assistance to Members and Community Groups
- C. Provide Informational and Marketing Outreach
- D. Meet Quantitative Performance Goals

I. THE PROCESS AND PLAN

MARKET RESEARCH

As mentioned in the Executive Summary, the Bank has continued to confer with the following organizations for their insight into the challenges facing our district:

- Member institutions
- Public and private economic development organizations
- Affordable Housing Advisory Council

Some of the Regional Trends of our District are presented in the Market Research Section (***See Exhibit A***). For the year 2006, the Bank plans to continue its focus of supporting our members in meeting the following needs within our District:

- Need for long-term credit for economic development
- Need for technical assistance for member banks and community organizations in helping to meet economic development needs in the District

These long-term goals remain relevant based upon the economic and demographic challenges facing the district in 2006.

II. COMMUNITY LENDING RELATED INITIATIVES AND LENDING GOALS FOR YEAR 2006

I. INITIATIVES FOR 2006

Building upon the research findings and the results achieved in 2005, the Bank will undertake the following community lending initiatives for the year 2006:

A. Encourage broader use of Community Investment Cash Advance (CICA) products.

- Build relationships with community and economic development organizations.
- Consider special offerings to increase program participation

B. Provide technical Assistance to Members and Community Groups

- Participating and supporting conferences and workshops sponsored by community organizations.
- Increase member and community organization's awareness of CICA products.
- Sponsor informal workshops on community lending issues.

C. Provide Informational and Marketing Outreach

- Press releases
- Special Mailings
- Affordable Housing Advisory Council
- The Bank's website, www.fhlbny.com

2. QUANTITATIVE COMMUNITY LENDING GOAL FOR 2006

The Bank proposes the following community lending goal for 2006:

- Originate new Community/Economic Development Commitments - \$35 million

III. HIGHLIGHTS OF COMMUNITY LENDING RELATED ACTIVITIES FOR YEAR 2005

ACCOMPLISHMENTS IN 2005

As presented below, the Bank pursued its community lending strategy on several fronts:

A. Community Investment Newsletters

Periodically, the Bank prepares and distributes a Community Investment newsletter. It is distributed to all member banks and almost 850 sponsors in the Home Loan Bank's service area. The newsletter is used as a vehicle to showcase and describe successful housing and community development approaches. This "best practice" approach highlights exemplary housing and community development initiatives -- including the Community Investment Program projects, which are utilized as a CRA tool by our members. The articles provide a blueprint of successful ventures for our members.

B. Technical Assistance Meetings

The Community Investment Officer and other Bank personnel have held numerous technical assistance meetings with our member banks, and community development organizations as well as participated in various conferences and seminars throughout the District. In these forums the Bank presents successful projects and discusses how the Bank's products can be useful tools for the challenges of community development.

C. Community & Economic Development Lending in 2005

During 2005, the Bank aggressively marketed the Rural Development Advance (RDA) and Urban Development Advance (UDA) programs. The RDA and UDA serve as potential funding sources for economic development opportunities. In 2005, the Bank surpassed its goal of \$20.6 million by committing a total of \$37.6 million in advances to 5 economic development projects in the district. These projects are listed in ***Exhibit B***.

D. Other Community Lending in 2005

1. Advances

(a) Community Investment Program (CIP)

The Community Investment Program has assisted people with a variety of housing needs. From January to November 2005, the Bank committed a total of \$11.4 million in CIP funds and Member lenders drew down more than \$6.2 million in CIP advances.

(b) Affordable Housing Program (AHP)

In 2005, the Bank conducted two application periods (April 1 and October 3) and received 183 applications. One hundred seventeen applications were submitted by member institutions in New York; 50 from New Jersey, 13 from Puerto Rico, one from the US Virgin Islands, and two Out of District. In total \$54,667,070 of subsidy was requested to finance 7,838 units of affordable housing.

The following are the final results of the first 2005 AHP application round:

- 36 projects approved
- \$8,970,343 of subsidy committed
- 1,417 units approved

The following are the final results of the second 2005 AHP application round:

- 35 projects approved
- \$10,839,126 of subsidy committed
- 1,245 units approved

(c) First Home Clubsm Program

As of December 31, 2005, there are 54 approved member participants in the First Home Clubsm Program. Thirteen approved member participants are located in New Jersey, 36 in New York, and 5 in Puerto Rico.

In 2005, the Bank had unlimited enrollment for the First Home Club. During the three enrollment periods in 2005, a total of 1334 house-holds were enrolled. Additional 2005 activity includes:

- \$6,467,409 set-aside for enrolled households
- \$1,681,772 funded to 342 eligible households

E. Other Community Lending in 2005 (cont'd)

Letter Of Credit (LOC)

Activity in 2005

The Bank's Letter of Credit ("LOC") product has supported community development by reducing transaction costs and enhancing the marketability of various bond issuances. As of December 31, 2005, the Bank had a total of 59 outstanding letters of credit amounting to \$238,250,684 consisting of the following letter of credit types:

- 7 CICA Letters of Credit totaling \$11,961,769
- 38 Municipal Letters of Credit totaling \$181,900,000
- 12 Regular Letters of Credit totaling \$30,476,322
- 2 Direct Pay Letters of Credit totaling \$13,912,593

These letters of credit were issued on behalf of members to support credit needs, as well as housing and economic development activities. The New York Bank issued 2 new non-MULOC Letters of Credit in 2005.

During 2005, the Bank continued to see some interest in the Municipal Letter of Credit program. The Bank issued 128 Municipal Letters of Credit to 10 customers totaling \$446,700,000.

As examples, the Bank issued a non-MULOC and CICA letter of credit to assist one member in facilitating its community lending and a non-MULOC and non-CICA letter of credit to assist another member in facilitating its residential housing finance.

CICA – Eligible

- At the request of Provident Bank, a federally chartered and OTS supervised savings and loan association at Montebello, New York, the Bank issued a confirming CICA letter of credit, in a credit amount of \$1,578,806, over a term of 10 years from June 6, 2005 to June 15, 2015. The letter of credit was issued to provide credit enhancement for the City of Middletown Industrial Development Agency's variable rate demand taxable industrial development revenue bonds. The bonds were issued to finance the renovation of an existing building in the City of Middletown's low and moderate-income Central Business District, for rental to the General Services Administration to house a U.S. Magistrate Court, a U.S. Marshal's Service and a U.S. Probation Office in the Hudson Valley.
- At the request of The Canandaigua National Bank and Trust Company, a nationally chartered commercial bank at Canandaigua, New York, the Bank issued a confirming standby letter of credit, in a credit amount of \$3,129,386, over a term of one year from July 6, 2005 to July 5, 2006. The letter of credit was issued to provide credit enhancement for the Geneva Housing Authority's variable rate demand housing revenue bonds to refinance the acquisition, construction and equipping cost of an adult care residential building at Canandaigua, New York.

The Bank continues to offer housing programs, credit enhancement and investment products, which will support our members as they invest in their communities.

EXHIBIT A

DISTRICT II MARKET PROFILE

DISTRICT II MARKET PROFILE**DISTRICT-WIDE ECONOMIC PROFILE****UNEMPLOYMENT****New York State & New York City:**

As of September 2005, New York State's unemployment rate, after seasonal adjustment, was 5.2 percent. The national rate was 5.1 percent and the rate for New York City was 6 percent. The rate for New York State outside of New York City was 4.7 percent. Unemployment rates (seasonally adjusted) for New York State, the United States, New York City and the rest of the state are shown below.^{1 and 2}

New York State	United States	New York City	NYS, excluding NYC
5.2%	5.1%	6.0%	4.7%

New Jersey

New Jersey's unemployment rate increased by 0.1 percentage point from August, 2005 to 4.3 percent in September, 2005, however the year over year rate for both the national and New Jersey unemployment rate decreased to 5.1 percent and 4.3 percent respectively.²

The table below shows the District employed versus unemployed rates as of September 2005:^{1, 2, 3 and 4}

District	Employed	Unemployed	Unemployment Rate
New York State	8,998.2	495.3	5.2%
New York City	3,540.4	226.1	6.0%
New Jersey	4,291.4	194.3	4.3%
Puerto Rico	1,298.4	155.1	10.7%

Job data - New York State:

Nationally, the number of private sector jobs decreased by less than .1 percent in October, 2005 while the number of private sector jobs in New York State increased by 7,000, or 0.1 percent, to 7,063,100 (on a seasonally adjusted basis). Since August 2003, the private sector job count in New York State has increased by 155,700.³

Job Data - New Jersey:

Despite the fact that New Jersey added 7,100 jobs in September, New Jersey's unemployment rate increased to 4.3 percent in September, 2005 from 4.2 percent in August, 2005.⁴

DISTRICT-WIDE ECONOMIC PROFILE (Cont'd)

IMMIGRATION

The ongoing influx of immigrants is reshaping the age distribution and racial and ethnic composition of the United States population.⁵

New York

The population growth driven by immigration is taking its toll on New York, the third largest state in the country. Between 1990 and 2000, over one million new residents settled in New York, representing an increase of 35.6% to 3,868,133, while the national average was only 19.8%. This large-scale population growth has brought traffic, pollution, overcrowding in schools, and the lack of affordable housing in New York, thus decreasing the quality of life for some and straining New York's natural and economic resources.^{6 and 7}

New Jersey

Between 1990 and 2000 New Jersey experienced the fastest population growth in the Northeast (52.7%) and experienced an estimated 12.3% growth between 2000 and 2003, primarily due to the increase in the foreign-born population. This population growth also increased traffic, overcrowding in schools, and pollution, as well as the availability of affordable housing in the state and created a strain on New Jersey's natural and economic resources.^{8 and 9}

Puerto Rico

The July, 2004 Census Bureau population estimate for Puerto Rico was 3.9 million, an increase of 16,974 people over the July, 2003 estimate. Puerto Rico's population represented a one-year increase of less than .01 percent.^{10 and 11}

The table below shows the rise in year over year population in our District from July, 2003 to July, 2004 for New York, New Jersey and Puerto: ^{7 through 11}

District	State Population (July 2004 est.)	State Population (July 2003 est.)	Population Increase (2003 – 2004)	Foreign-Born Population (2003 estimate.)	Percent Foreign- Born
New York	19,227,088	19,212,425	14,663	3,991,500	20.8%
New Jersey	8,698,879	8,642,412	56,467	1,658,600	19.2%
Puerto Rico	3,894,855	3,877,881	16,974	N/A	N/A

DISTRICT-WIDE HOUSING PROFILE

Housing Trends

Nationally, the homeownership rate climbed to 68.8 percent during the third quarter of 2005 and a vast majority of American families benefited from the expanding housing opportunities, favorable interest rates and rising home values.¹² Minorities account for a little over 24% of all homeowners, and singles (unmarried men/women) represent 37.8% of all homeowners.

Facts:

- One in four households, or more than 31 million American families, spend more on housing than the federal government considers affordable and appropriate (more than 30 percent of income).
- More than 75% of white American households own their own homes, while less than half of the African American (48.1%) and Hispanic American (49.1%) families own their homes.
- While millions of working families need affordable housing to buy and rent, the supply of smaller, less costly housing (two-to four-unit apartment buildings, condos, co-ops and town homes) is shrinking, as a result of Americans deciding to stay unmarried longer (later in life).
- Regulatory and natural constraints on land are driving up land costs in and around many of the nation's metropolitan areas, restricting development of affordable housing.
- In high-growth, major metropolitan areas, thousands of people commute 100 miles or more to work because of the lack of affordable housing in the communities where they work.¹³

Homeownership is viewed as a strong basis for net worth, and as more minorities make large income advances (as a result of higher education attainment and returns on education) the minority homeownership rate will continue to grow bringing the percentage closer to that of white homeowners.

Crowded Housing: New York and New Jersey

Studies show that a rise in crowded housing often correlates with an increase in the number of foreign-born.

Throughout New York, 267,000 households were defined as severely crowded housing in 2004, a 45 percent increase since 1990.^{6 and 8}

The Bronx has the third (in the US) highest rate of severely crowded housing (10 percent), and the housing shortage in Flushing is so severe that it has been said that there is simply no more living space. "Houses and apartments are being subdivided, and basements, attics, and garages are all being rented out".⁶

In New Jersey, 65,000 "households were defined as severely crowded by housing authorities, a 74 percent increase since 1990." Illegally crowded housing will continue to rise and create health and fire hazards for the inhabitants as long as unscrupulous landlords take advantage of families unable to obtain affordable housing and the number of illegal immigrants unable to obtain continues to rise.

DISTRICT-WIDE HOUSING PROFILE (Cont'd)

Least Affordable States: New York and New Jersey continue to be two of the ten least affordable states in the country. In 2004, Nassau and Westchester counties in New York were once again identified as two of the ten least affordable metropolitan areas in the country, despite the decline in their 2-bedroom housing wage.^{14 through 19}

The tables below list the housing wages and the year over year percent change for the two-bedroom housing wage: ^{14 through 21}

Least Affordable States	Housing Wages For 2-Bedroom (2003)	Housing Wages For 2-Bedroom (2004)	Percent Increase/Decrease - 2-bedroom Housing Wage
National	\$15.37	\$15.21	1.05%
New Jersey	\$19.74	\$20.35	3.09%
New York	\$18.87	\$18.18	-3.66%

Least Affordable Metropolitan Areas	Housing Wages For 2-Bedroom (2003)	Housing Wages For 2-Bedroom (2004)	Percent Increase/Decrease 2-bedroom Housing Wage
Westchester, NY	\$24.88	\$24.21	-2.69%
Nassau & Suffolk, NY	\$25.46	\$23.56	-7.46%

Long Island (Nassau and Suffolk Counties)

Long Island's housing market has been quite healthy. House prices rose at a rate around 12% in 2004 and nearly doubled since 1998.

SOURCES OF INFORMATION

¹ New York State Department of Labor, Division of Research and Statistics: "Employed, Unemployed, and Rate of Unemployment by Place of Residence for New York State and Major Labor Areas, (October 2005)

<http://labor.state.ny.us/workforceindustrydata/PressReleases/prtbur.txt>

² U.S. Department of Labor; Bureau of Labor Statistics: Table 3. "Civilian labor force and unemployment by state and selected areas, seasonally adjusted September, 2005"

<http://www.bls.gov/news.release/laus.t03.htm>

³ New York State Department of Labor: Job Data. "NY State's Private Sector Job Count Grows for 13th Month In a Row; Lowest September Unemployment Rate in New York State Since 2000" (October 20, 2005)

<http://www.labor.state.ny.us/workforceindustrydata/pressreleases/pruistat.htm>

⁴ New Jersey Department of Labor Workforce and Development: "New Jersey Adds 7,100 Jobs in September; Unemployment Rate Up Slightly to 4.3 Percent" (October 18, 2005)

<http://www.state.nj.us/labor/press/2005/1018Unemployment.htm>

⁵ Joint Center for Housing Studies of Harvard University. "Housing Review" (Fall 2005)

http://www.jchs.harvard.edu/newsletter/newsletter_fall05.pdf

⁶ Federation for American Immigration Reform (FAIR); "Immigration Impact – New York"

www.fairus.org/site/PageServer?pagename=research_researchbaff

⁷ Migration Policy Initiative (MPI); Migration Information Source: New York "Fact Sheet on the Foreign Born" www.migrationinformation.org/USFocus/state.cfm?ID=NY

⁸ Federation for American Immigration Reform (FAIR); "Immigration Impact – New Jersey"

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⁹ Migration Policy Initiative (MPI); Migration Information Source: New Jersey "Fact Sheet on the Foreign Born" www.migrationinformation.org/USFocus/state.cfm?ID=NJ

¹⁰ U.S. Census Bureau: Fact Sheet- American FactFinder: 2004 American Community Survey Data Profile Highlights <http://factfinder.census.gov> (for New York, New Jersey and Puerto Rico)

¹¹ U.S. Census Bureau: "Table1: Annual Estimates of the Population for the United States and States, and for Puerto Rico" <http://www.census.gov/popest/states/NST-ann-est.html>

¹² U.S. Census Bureau: Housing Vacancies and Homeownership (CPS/HVS); "Table 6. Homeownership Rates by Area: Third Quarter 2004 and 2005"

<http://www.census.gov/hhes/www/housing/hvs/hvs.html> (Detailed Tables Link)

¹³ Joint Center for Housing Studies of Harvard University: "The State of the Nation's Housing 2005." <http://www.jchs.harvard.edu/>

¹⁴ National Low-Income Housing Coalition; Press Release: "Report finds families struggling to pay rent this holiday season" <http://www.nlihc.org/oor2004/pressrelease.htm> (December, 2004)

¹⁵ National Low-Income Housing Coalition; Press Release: "Report finds families struggling to pay rent this holiday season" <http://www.nlihc.org/oor2003/pressrelease.htm> (September, 2003)

¹⁶ National Low-Income Housing Coalition; Out of Reach 2004: "Least Affordable States" <http://www.nlihc.org/oor2004/table1.htm>

¹⁷ National Low-Income Housing Coalition; Out of Reach 2003: "Least Affordable States" <http://www.nlihc.org/oor2003/table1.htm>

¹⁸ National Low-Income Housing Coalition; Out of Reach 2004: "Least Affordable Metropolitan Statistical Areas (MSAs)" <http://www.nlihc.org/oor2004/table2.htm>

¹⁹ National Low-Income Housing Coalition; Out of Reach 2003: "Least Affordable Metropolitan Statistical Areas (MSAs)" <http://www.nlihc.org/oor2003/table2.htm>

²⁰ National Low-Income Housing Coalition; Out of Reach 2004: "State Ranks Based on Two Bedroom Housing Wage" <http://www.nlihc.org/oor2004/table9.htm>

²¹ National Low-Income Housing Coalition; Out of Reach 2003: "State Ranks Based on Two Bedroom Housing Wage" <http://www.nlihc.org/oor2003/table9.htm>

SOURCES OF FURTHER INFORMATION

- New York State Department of Labor, <http://www.labor.state.ny.us>
- New Jersey Department of Labor, <http://www.state.nj.us/labor>
- Federation of American Immigration Reform (FAIR), <http://www.fairus.org>
- National Low-Income Housing Coalition, www.nlihc.org
- Bureau of Labor Statistics, <http://www.bls.gov/>
- Census Bureau, <http://www.census.gov/>
- Joint Center for Housing Studies of Harvard University, <http://www.jchs.harvard.edu/>
- Pew Hispanic Center, <http://pewhispanic.org/>
- Federal Reserve Bank of NY, <http://www.newyorkfed.org/regional/region.html>

EXHIBIT B

EXAMPLES OF RDA & UDA PROJECTS

2005 RURAL AND URBAN DEVELOPMENT ADVANCES

The Rural Development Advance (RDA)

From January to November 2005, the Bank committed a total of \$170,000 in RDA projects.

Project: ***Southern Tier Environments for Living(STEL)***
Customer Institution: ***HSBC Bank USA***
RDA Commitment: ***\$170,000***
Term: ***20 years; 20 years amortization***

Description: The RDA loan will be used for the acquisition of a mixed-use property located in Jamestown, New York. HSBC Bank USA has submitted a request for a 20-year amortizing RDA in the amount of \$170,000.

The building consists of first floor office space and four residential rental units on the second floor. The sponsor, Southern Tier Environments for Living, Inc (STEL) currently leases office space in Jamestown and will move this operation to the proposed site realizing cost savings. The four residential rental units will be used to provide affordable housing for clients of STEL.

The Urban Development Advance (UDA)

From January to November 2005, the Bank committed a total of \$37.4 million in UDA projects.

Project: ***Krog USC Associates, LLC)***
Customer Institution: ***First Niagara***
UDA Commitment: ***\$9,375,000***
Term: ***10 years; 20 years amortization***

Description: The UDA funding will be used for the construction of a 276,800 square foot building on 25 acres of land. The proposed project, located within the Union Ship Canal Industrial Park in Buffalo, New York is a "Brownfield" site deemed ready for development. The building will house a manufacturing facility, office and distribution center. The site has recently been re-tested for contamination and none has been found. Continued monitoring of the site by an environmental engineer and the New York State Department of Environmental Conservation will occur as part of the Brownfield Remediation Program.

The First Niagara lien will be secured by a first mortgage lien on the constructed 276,800 square foot single-story building. The property is located in a designated Buffalo Empire Zone.

Project: ***Family Business Loan Program***
Customer Institution: ***Provident Bank***
UDA Commitment: ***\$25,000,000***
Term: ***As requested by member bank***

Description: The Family Business Loan Program will be a joint effort between the Bank, the Small Business Administration 504 Program, Provident Bank and Progress Development Corporation to revitalize distressed areas of Newburgh, Port Jervis, and Middletown, New York. The program will encourage participation from small family-owned businesses wishing to locate to or expand within the targeted cities. The UDA funds will be used as part of a loan program to finance the creation of new businesses or the growth of existing businesses. A typical deal under the program would be

structured as follows: UDA funds would finance a first mortgage for an amount representing up to 50% of the overall project, SBA 504 financing would provide a second mortgage for up to 40% of the project and at least 10% of the overall cost would be provided in the form of equity from the business owner. It is estimated that 350 service, 150 manufacturing, and 100 managerial jobs will be created as a result of the program.

The sponsor, Progress Development Corporation (PDC) is a non-profit 501 C-4 organization that is a designated Certified Development Corporation for the SBA 504 Program. PDC believes that a joint effort of the Home Loan Bank and the SBA program would provide a potent tool to stimulate economic development in distressed communities of the targeted cities.

Project: ***Simply Crepes, LLC***
Customer Institution: ***M & T Bank***
UDA Commitment: ***\$55,000***
Term: ***5 years; 25 years amortization***

Description: The UDA funds will be used for the construction of a new restaurant, Simply Crepes, to be located in the Public Library located in Rochester, New York. Simply Crepes currently operates a full-service restaurant at their flagship Pittsford location and operates another restaurant at a second location at Frontier Field in Rochester. Simply Crepes will be closing a facility located in Monroe Community College within the next month and will be using much of the equipment at their new library location, which is actually in progress at a temporary location.

Project: ***650 South Broad Street, Trenton, New Jersey***
Customer Institution: ***New Jersey Housing & Mortgage Finance Agency (NJHMFA)***
UDA Commitment: ***\$3,000,000***
Term: ***10years; 10 years amortization***

Description: The UDA funding will be used to purchase a building at 650 South Broad Street in Trenton, NJ that will house approximately 40 agency employees whose purpose is to advance the Agency's mission of providing rental housing and home ownership opportunities for low- to moderate-income households.

New Jersey Housing Mortgage Finance Agency (NJHMFA) is a government agency, which responds to the needs of its residents by implementing creative programs and establishing alliances that fund affordable home mortgages for first-time home buyers while fostering the economic development of New Jersey and the personal development of its residents.